

## HOW DO I PREPARE FOR MY



## REAL ESTATE PROPERTY TAX APPEAL?

11/14/01

### What is MARKET VALUE?

#### **Montana Code Annotated, 15-8-111. Assessment – market value standard – exceptions.**

(1) All taxable property must be assessed at 100% of its market value except as otherwise provided.

(2)(a) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

Agricultural (class 3 property) & timber or forest lands (class 10 property) are valued based on their productivity; therefore, the above definition does not apply.<sup>1</sup> Additional information can be obtained from your local appraisal office.

<sup>1</sup> 15-6-133 MCA. Class three property. 15-6-143 MCA. Class ten property.

The following is a list of items that you may wish to review or obtain in preparation for your property tax appeal:<sup>2</sup>

- Review your property record card to ensure the accuracy of the physical characteristics. This information can be obtained from your local appraisal office.
- Photographs of the subject property or the comparable properties can be very useful.
- Note any defects or damage that impacts the market value
- Documented or recorded restrictions imposed against the property that may affect value (building covenants, restrictions, easements, etc.)
- Comparable sales information (i.e. vacant land and/or improved properties.) The comparable sales information that was used to value YOUR property can be obtained from the local appraisal office.
- Comparable rental and expense data from similar income producing properties.

<sup>2</sup> This brochure was prepared and distributed by the County Tax Appeal Board and the State Tax Appeal Board. Your appeal is not limited to only this information.

- Actual sales information for the subject property.
- Independent fee appraisal (not required)
- Any other information that in your opinion affects the value of the property being appealed.

The steps undertaken by the Department of Revenue in determining a **market value** estimate are:

1. **Data Collection** – information regarding the characteristics of the property is gathered and maintained on individual property records. Ownership, legal description, land size and influencing factors are collected along with data detailing the age, quality, condition and size of the improvements (structures). Appraisers continually review properties on site to record changes that affect value.
2. **Land Valuation** – Sales of vacant parcels in each neighborhood are studied to establish the market value of land. In areas where no vacant land sales have occurred, structure values are removed from improved sales, Computer Assisted Land Pricing (CALP) programs assist the appraiser in appropriately applying land values to all parcels, considering size and influencing factors.
3. **The COST APPROACH to Value** – Each property has a value based upon the cost to replace (rebuild) the structures, less depreciation, plus land value. The replacement cost is affected

by items such as improvement size, quality and location.

4. **The SALES COMPARISON APPROACH** – Individual home values can be based upon the influence of similar properties that have recently sold in the subject area. Market Modeling employs computer technology to measure the influence of all sales in the model area for an MRA (multiple regression analysis) estimate, followed by a process where several comparable sales are selected and adjusted for differences from the subject, for a market value estimate.
5. **The INCOME APPROACH** – Local property owners and lessees provide details of income and expenses for rental property. Income Modeling employs computer technology in applying income, expense and capitalization parameters based upon use and location of the commercial property.
6. **Final Determination of Value** – While computer technologies provide for the application of collected value influences, the review and reconciliation of value indication must still be accomplished on an individual basis by a Department of Revenue appraiser. *The appraiser must analyze the values indicated from the **cost approach**, the **sales approach**, the **income approach**, if relevant, and the data driving these value indications, before determining the most appropriate final market value.*

